



ACQUISITION AND
TECHNOLOGY

OFFICE OF THE UNDER SECRETARY OF DEFENSE

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WASHINGTON DC 20301 3000

December 23, 1998

DP (DAR)

In reply refer to
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MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES
DEPUTY FOR ACQUISITION AND BUSINESS MANAGEMENT,
ASN(RD&A)/ABM
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE,
(CONTRACTING), SAF/AQC
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(PROCUREMENT)
COMMANDER, DEFENSE CONTRACT MANAGEMENT COMMAND,
DEFENSE LOGISTICS AGENCY

SUBJECT: Class Deviation from Federal Acquisition Regulation
(FAR) 31.205-46(a)(2)(i), Maximum Per Diem Rates Under
the Federal Travel Regulations (FTR)

I authorize all military departments and defense agencies to deviate from the requirements of FAR 31.205-46(a)(2)(i). Effective January 1, 1999, defense contractors may choose to satisfy the limitation on allowable travel costs by continuing to use the FTR maximum per diem rates and the definitions of lodging, meals, and incidental expenses in effect on December 31, 1998, or by using the revised FTR rates and definitions that are effective January 1, 1999.

FAR 31.205-46(a)(2) limits allowable costs for contractor employee lodging, meals, and incidental expenses to the maximum per diem rates in effect at the time of travel set forth in the FTR; the Joint Travel Regulation, Volume 2, DoD Civilian Personnel, Appendix A; or the Standardized Regulations (Government Civilians, Foreign Areas), Section 925, "Maximum Travel Per Diem Allowances for Foreign Areas."

On December 2, 1998, the General Services Administration issued a final rule that significantly changes how the FTR maximum per diem rate limitations are computed, including extracting lodging taxes from the per diem rates and allowing



payment of lodging taxes as a miscellaneous expense instead. The revised FTR rule goes into effect on January 1, 1999.

I am concerned that defense contractors may encounter a significant administrative burden and incur substantial costs in modifying their systems to comply with this new rule. At the same time, the Federal agencies are considering a FAR change to remove these maximum per diem rate limitations. Therefore, I am authorizing a class deviation to permit the use of either the FTR rates and definitions effective on December 31, 1998, or the revised FTR rates and definitions that go into effect on January 1, 1999.

This class deviation is approved until September 30, 1999, or until FAR 31.205-46(a)(2) is revised, whichever event occurs first.

A handwritten signature in black ink, reading "Eleanor Spector". The signature is fluid and cursive, with the first name "Eleanor" and the last name "Spector" clearly distinguishable.

Eleanor R. Spector
Director, Defense Procurement